

Buyers spurn gold for silver

A leading bullion dealer says that there has been a marked interest from investors for silver in recent weeks.

By Emma Wall

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Is silver the new gold? Photo: REUTERS

Investors are looking to silver as an alternative to gold with a leading dealer reporting that one-ounce silver rounds are outselling anything else by a factor of 10 to one.

"Silver rounds" – which look like coins but are not legal tender – are selling well at the moment, according to Alex Baird of Baird & Co, the bullion dealer. "One-ounce silver rounds at £14.50 with a box are outselling anything else by a factor of 10 to one," he said. "They are significantly cheaper than silver coins."

Silver has the potential to grow in value as it is both a precious metal and an industrial one. It is used in photographic equipment, as an antibacterial agent in water filters and has the highest electrical and thermal conductivity of any element.

Fresnillo, a silver mining company, is second best performer in All-share this year with an increase of 490pc, according to DigitalLook. Meanwhile, the iShares Silver Trust has returned 55pc this year according to Morningstar. Evy Hambro, co fund manager of the BlackRock Gold and General Fund, said: "Fresnillo is very strong. It has good management, world-class silver mines and an exceptional exploration portfolio, and is forecasting considerable growth in production. That is why it is one of the top ten holdings in the Gold and General fund.

"Many investors take the view that the silver price is linked to the gold price, but we look at silver on its own fundamentals. Over the near term we think the environment is positive for silver".

StockMarketsReview, state that while silver may be more vulnerable to financial shocks than gold- it also has further to grow in the future. It added: "Silver prices fell by 56pc from the high of \$20.75 in early March 2008 as compared to 29pc decline in the yellow metal. We firmly believe that a good amount of steam is left in the ongoing rally in silver and it would continue to outperform gold in returns.

"Silver prices are seen to be taking support from the weakness in the dollar in the recent past, underscoring its monetary value. Going by the weak outlook for the dollar in the coming quarter, silver is likely to surge higher." But Pau Morilla-Giner, head of alternative investments at London and Capital, said: "Silver is not the new gold. Silver is a hybrid of gold and industrial base metals such as zinc- and its performance is split 50-50 between the two."

Mr Morilla-Giner warned that silver will not have the same impressive returns as gold, but that it will offer a similar safe haven in times of market turmoil, inflation or if there is a loss in banking confidence. It also benefits if industry grows- which gold does not.